Policy Memo

Procurement

This memo sets out how Operation Smile International ("OSI") plans, reviews, approves, documents and pays for the procurement of goods and services at its Country Offices, including the controls that apply to purchases above the Micro-Purchase Threshold (MPT) of US$2,500.

1. PURPOSE, SCOPE AND POLICY STATEMENT

1.1 Purpose

This Procurement Policy establishes the written procurement procedures and solicitation standards that OSI follows to ensure the efficient, fair and transparent acquisition of goods and services. Its aim is to obtain the best value for money while maintaining high ethical standards and complying with applicable laws, regulations and donor requirements.

1.2 Scope

This policy applies to all procurement of goods and services undertaken by OSI Country Offices (Representative and Foundation offices) and by any OSI staff procuring on their behalf, regardless of the source of funds or the method of payment (including purchases made through staff advances). It is to be read together with the OSI Delegation of Authority (DOA) and the finance documentation requirements.

1.3 Policy Statement

It is the policy of OSI that goods and services are procured using procedures that result in the selection of the most economically advantageous supplier, so that donor and partner funding is used in the most efficient and effective way. In applying this policy OSI will:

- Source quotations openly and fairly, and base vendor selection on documented analysis of price, quality, delivery, compliance with specifications and overall value for money.
- Enter into long-term agreements with suppliers wherever practical, to secure price stability and lower costs based on anticipated volumes.
- Deal only with vendors that have been vetted and screened, and for large purchases only with vendors that have been assessed and shown to meet all legal and regulatory requirements.
- Maintain segregation of duties between those who request, solicit, evaluate, approve, receive and pay for goods and services.
- Retain complete supporting documentation for every procurement in accordance with the finance documentation requirements.

2. KEY TERMS AND ROLES

The following terms and roles are used throughout this policy:

Term / Role	Meaning
Micro-Purchase Threshold (MPT)	US$2,500. Any single procurement valued above this amount requires a minimum of three quotations from qualified vendors.
Country Office	An OSI Representative or Foundation office in a programme country.
Country Manager (CM)	The senior OSI representative in a Country Office (including a Country Director where that title is used). Approves requisitions, vendor selections, purchase orders and payment vouchers within the DOA.
Finance Manager (FM)	The senior finance staff member in the Country Office. Acts as Budget Approver, reviews bid analyses and payment documentation, and co-signs purchase orders and vouchers.
Procurement Officer	The staff member assigned to solicit quotations, prepare bid analyses and manage the purchasing process. Where no dedicated Procurement Officer exists, the CM assigns this role to a staff member who is independent of the requester and the evaluation panel.
Requester	The staff member or department that identifies the need and completes the Purchase Requisition.
Regional Director (RD)	The OSI regional lead responsible for programme oversight of a group of Country Offices.
Regional SVP	The Senior Vice President responsible for the region.
VP of Global Programs	The OSI HQ executive responsible for global programme operations.
VP of Finance and COO	The OSI HQ executives whose joint approval is required for procurements above US$100,000.
Purchase Requisition (PR)	The form that initiates every procurement and records the need, specification, estimated cost, budget line and approvals.
Purchase Order (PO) / Local Purchase Order (LPO)	The document that contracts with the selected vendor for the specified goods or services, quantities, prices, delivery and payment terms.
Receipt of Goods or Services (RGS)	The form confirming what was delivered against what was ordered, signed by the Requester.

3. PROCUREMENT THRESHOLDS AND APPROVAL AUTHORITY

3.1 Procurement Thresholds

The sourcing method required for a procurement is determined by its total value. Requirements must not be split into smaller purchases in order to avoid a threshold.

Value (US$)	Sourcing requirement	Minimum documentation
Up to 2,500 (at or below the MPT)	May be sole-sourced from a direct vendor or from the pre-qualified supplier list (section 5.3). Competitive quotes are not required.	Approved PR; invoice or receipt; RGS where applicable.
Above 2,500 (above the MPT)	Minimum of three written quotations from qualified vendors, obtained through a Request for Quotation (RFQ). Vendor selected by an evaluation panel independent of the person who solicited the quotes.	Approved PR; RFQ; three or more quotations; Bid Analysis with selection justification; PO/LPO; RGS; invoice; Payment Voucher.
Large or recurring purchases	In addition to the above, suppliers are identified through a public Expression of Interest (EOI), vetted and placed on a preferred supplier list, with long-term agreements or call-off orders negotiated where appropriate (section 5.5).	As above, plus EOI documentation, site-visit record and signed agreement.

3.2 Approval Authority

Approval limits for the procurement of goods and services rest with the management of the OSI Country and Regional teams in accordance with the applicable DOA limits. Approval authority for large procurements rests with the executive team at OSI HQ, as follows:

Value (US$)	Approver	Notes
Within Country Office DOA limit	Country Manager, with FM review.	Applies to the PR, Bid Analysis, PO/LPO and Payment Voucher as set out in section 6.
Above Country Office DOA limit and up to 100,000	OSI management team (Country Manager, Regional Director or Regional SVP) per the DOA, in consultation with the VP of Global Programs at OSI HQ.	Consultation must be documented (e.g. e-mail confirmation retained in the procurement file).
Above 100,000	VP of Finance and COO (both approvals required).	No commitment may be made to a vendor until both approvals have been obtained.

Where the DOA and this policy differ, the more restrictive requirement applies.

4. PROCUREMENT PLANNING

Procurement planning ensures that purchases are anticipated, budgeted and sequenced in line with approved programme work plans.

- **Annual Procurement Plan.** Soon after budget submission, the Regional Director, together with the Country Office, prepares an Annual Procurement Plan based on the planned annual and quarterly work activities. The Country Manager and the Regional

Director review and approve the plan before it is submitted to the Regional SVP and the VP of Global Programs, who confirm that it is aligned with the Programme Work Plans.

- **Quarterly Procurement Plans.** The Annual Procurement Plan is the basis for Quarterly Procurement Plans, which are updated on a rolling basis as the operating environment and work activities change.
- **Use of the plan.** The plans serve as the guide for anticipated project-related procurement and allow the Country Office to group requirements, identify where long-term agreements are appropriate and schedule competitive processes in good time.

5. VENDOR MANAGEMENT

5.1 Vendor Relationships

Sound business relationships with vendors are essential to maintaining a dependable, transparent and competent source of supply. Procurement staff must act with honesty, integrity and tact so as to build mutually respectful relationships that enhance the reputation of OSI. In dealing with vendors and their representatives, staff will:

- Be courteous, honest, transparent and fair, as OSI expects the same treatment of its own representatives in return.
- Receive business callers promptly and show reasonable regard for their time.
- Give sales representatives a fair and equal opportunity to present legitimate and pertinent information on the materials, equipment, methods or techniques that they market, as needed.
- Keep all quotations and bid information confidential until the selection has been made and communicated.

5.2 Vendor Vetting and Required Documentation

All new vendors must be vetted and screened before OSI contracts with them. As a minimum, each potential vendor must provide the following, which will be held on the vendor file:

- Business registration or operating documents.
- Tax clearance certificate.
- VAT registration certificate or dispensation letter, where applicable.
- Withholding tax exemption certificate, if any.
- Price list or price quotation.
- For large purchases: primary office location(s) and details of previous services provided.

5.3 Pre-qualified Suppliers for Routine Items (at or below the MPT)

To make routine purchasing efficient while retaining price control, each Country Office will maintain a list of frequently needed supplies and pre-qualify suppliers for them:

- A list of frequently needed supplies is prepared, and quotations are collected from a number of known suppliers.
- Two or three suppliers are recommended for each category, and OSI staff may purchase from them using the single-sourcing method without further quotations.
- New quotations are collected every three months to reassess the cost comparison, and the recommended supplier list is updated accordingly.

5.4 One-off Purchases

For ad hoc purchases above the MPT, staff will collect at least three quotations, where possible from the area in which the goods or services are needed. Because OSI operates regionally, purchases should be made as close as possible to the location that needs the goods or services. Programme staff (for example Program Coordinators) will submit to the FM a list of the goods or services they expect to need based on the approved budget, together with a list of potential suppliers. Each potential supplier must provide the documentation set out in section 5.2.

5.5 Large and Recurring Purchases (above the MPT)

Large purchases include bulk nutrition and hygiene supplies, furniture and equipment, and services such as IT services, internet provision, vehicle hire, accommodation and catering. For these categories the Country Office will:

- Publish an advertisement (for example in the main national newspapers or an equivalent public platform) requesting Expressions of Interest (EOI) from service providers. The EOI must include the documentation set out in section 5.2.
- Visit the premises of a shortlist of providers for quality assurance purposes and to confirm the information submitted in the EOI.
- Prepare a preferred supplier list from the vetted shortlist.
- Negotiate long-term agreements, including call-off orders, with a selected number of preferred suppliers.

5.6 Vendor Database

Each Country Office will maintain a vendor database containing the information collected from vendors under sections 5.2 to 5.5, complemented by physical vendor files. The database is the reference point for the pre-qualified and preferred supplier lists and must be kept current.

6. THE PROCUREMENT PROCESS

6.1 Segregation of Duties

Before a procurement begins, the Country Manager identifies the procurement team and ensures that the following functions are performed by different people: requesting the goods or services; soliciting quotations; receiving quotations; evaluating quotations and selecting the vendor; notifying vendors; approving the purchase; receiving the goods or services; and approving payment. In particular:

- The person who requests the quotations must not receive, analyse or select the winning quotation, and must not be a member of the evaluation panel.
- The Requester must not approve his or her own requisition.
- Where staff numbers are limited, the Country Manager documents the allocation of roles and the compensating review performed by the FM.

6.2 Process Steps

Every procurement follows the steps below. Steps 3 to 5 apply in full to procurements above the MPT; for purchases at or below the MPT they are replaced by selection from the pre-qualified supplier list or a direct vendor.

Step 1 – Identify the need. The Requester identifies a need for goods or services and ensures that it is clearly defined, justified and provided for in the approved budget and Procurement Plan.

Step 2 – Purchase Requisition (PR). The Requester completes a Purchase Requisition for every procurement that exceeds the office petty-cash threshold. The PR states the purpose, detailed specifications, quantities, estimated cost and any other relevant information. The FM, as Budget Approver, confirms the budget line to be charged. Where the specification is technical, it is confirmed by the relevant subject-matter expert at OSI HQ. The PR is approved by the Country Manager in accordance with the DOA and, once approved, instructs the Procurement Officer to proceed.

Step 3 – Request for Quotation (RFQ). For procurements above the MPT, the Procurement Officer (or, because of location or the special nature of the goods, another staff member independent of the Requester and the evaluation panel) sends an RFQ to at least three qualified vendors. The RFQ sets out detailed specifications, quantities, delivery timelines and all other relevant terms and conditions, so that quotations are for comparable specifications. OSI documents how quotations are solicited and received so that the process is transparent.

Step 4 – Bid Analysis. Quotations are opened and analysed by the FM together with the evaluation panel, considering price, quality, delivery time, compliance with specifications and any other relevant factors. Whenever more than one quotation has been sourced, the Procurement Officer prepares a Bid Analysis report, which accompanies the PR for approval.

Step 5 – Vendor selection. The evaluation panel, which must be independent of the person who solicited the quotations, selects the vendor that meets all the criteria in the RFQ and offers the best value for money. The FM records a recommendation on the Bid Analysis form, and the Country Manager approves the selection on the same form. The decision, including the rationale, is documented and retained.

Step 6 – Contract award. Where a contract is required, it is awarded to the selected vendor and is reviewed and approved by the relevant authority within OSI in accordance with the DOA and section 3.2 before signature.

Step 7 – Purchase Order (PO/LPO). A Purchase Order is prepared for the required quantity of goods or services and includes detailed specifications, quantities, prices, delivery timelines and payment terms. For credit transactions a Local Purchase Order is prepared and signed by the Country Manager or the FM; the FM may sign an LPO only if the Country Manager has already approved the purchase on the Bid Analysis form or by e-mail. For non-credit (prepaid) transactions, an invoice or pro-forma invoice is obtained as the basis for payment, and a receipt is collected at the point of payment.

Step 8 – PO approval. The Country Manager approves the PO. Approval is contingent on verification that all procurement procedures have been followed and that the documentation is complete.

Step 9 – Receipt of goods or services. On delivery, the goods or services are inspected and compared with the quantities and specifications ordered. A Receipt of Goods or Services form is prepared showing the amounts requested and the amounts provided, and is signed by the Requester to confirm that the delivery was satisfactory and in line with the requisition. The RGS is the basis for comparison with the supplier's invoice. Any discrepancy is reported to the vendor immediately and documented. An RGS is required for prepaid transactions as well.

Step 10 – Payment. Payment is made in accordance with the credit terms agreed in the contract and PO. A Payment Voucher is prepared showing the budget line, budget class, any withholding tax and the bank account from which payment is made. The voucher carries a checklist confirming that the approved PR, the Bid Analysis (where applicable), the PO/LPO, the invoice and the signed RGS are attached. The FM signs the voucher as reviewer and the Country Manager as approver, after confirming that all payment documentation is accurate and complete.

Step 11 – Close the file. The procurement is closed with all supporting documents filed in accordance with the finance documentation requirements and the vendor database updated as needed.

6.3 Procurement Cycle Summary

In summary, the procurement cycle is:

1) Identification of the need.
2) Purchase Requisition approved by the Country Manager, with the budget line confirmed by the FM.
3) Request for Quotation sent to at least three qualified vendors (above the MPT).
4) Bid Analysis prepared by the Procurement Officer and reviewed by the FM and the evaluation panel.
5) Selection of the vendor that meets all criteria; FM recommendation and Country Manager approval.
6) Award of contract, where required.
7) Purchase Order or LPO prepared and approved by the Country Manager.
8) Goods or services received, inspected and confirmed on the RGS.
9) Payment Voucher reviewed by the FM, approved by the Country Manager, and payment made on the agreed terms.
10) Procurement file closed with complete supporting documentation.

7. PROCUREMENT THROUGH STAFF ADVANCES

Goods or services procured through a staff advance remain subject to the full procurement process in section 6; the method of payment does not change the sourcing or approval requirements. In addition:

- Quotations are collected before the activity budget is submitted for approval by the Program Manager and for final approval by the Country Manager and the FM.
- For items above the MPT, the minimum number of quotations is submitted with the activity budget together with a Vendor Analysis and a written selection justification.
- When the request for payment reaches the Finance Office, the FM reviews and signs the Vendor Analysis, and the Country Manager signs to approve the selection of the supplier.
- On completion of the activity, original invoices and cash receipts are attached to the Expenditure Report.
- The Senior Accountant reviews the Expenditure Report for compliance with procurement procedures, followed by review by the FM and the Country Manager.

8. COMPLIANCE AND ETHICAL CONSIDERATIONS

- All procurement activities must comply with OSI’s ethical standards, applicable laws and regulations, and any donor-specific procurement requirements attached to the funds being used.
- Any actual or potential conflict of interest must be disclosed to the Country Manager and the FM before the procurement proceeds, and the person concerned must be excluded from the solicitation, evaluation and approval of that procurement.

- Vendors must be treated fairly and equitably throughout the process, and no staff member may solicit or accept gifts, favours or other benefits from vendors or prospective vendors.
- Any deviation from this policy must be approved in writing in advance by OSI senior management and documented in the procurement file.
- Non-compliance with this policy may result in disciplinary action and, where donor funds are involved, in costs being disallowed.

9. POLICY REVIEW

This policy is owned by OSI Global Finance and will be reviewed at least every two years, or sooner where changes to the DOA, donor requirements or OSI's operating model require it. Any changes to this policy must be approved by the senior management of OSI.